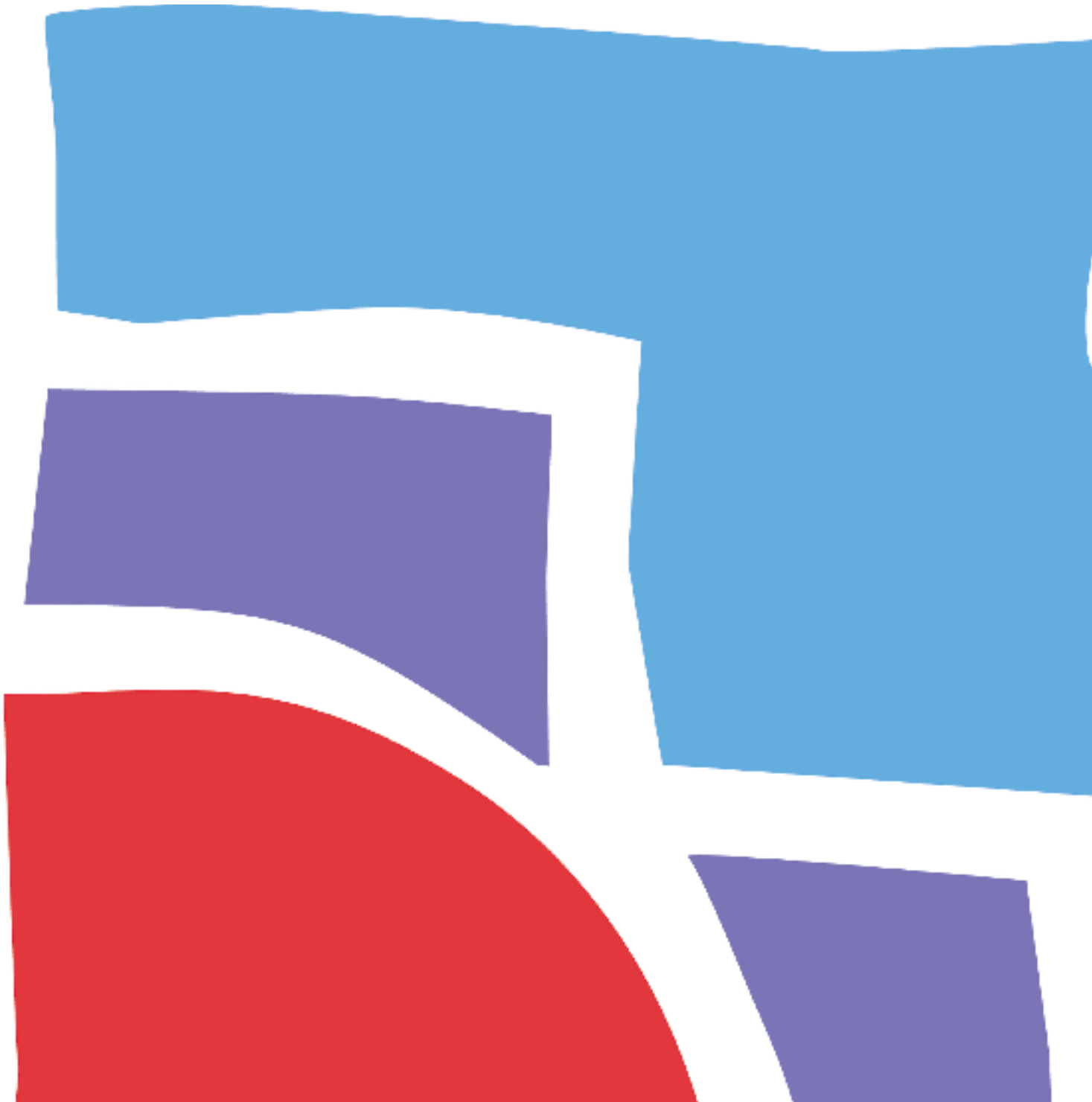




Universities UK

# Universities UK's response to 'The Future of Higher Education'







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# Universities UK's response to 'The Future of Higher Education'

# Foreword

Many of the proposals in *The Future of Higher Education* are positive and welcome to Universities UK.

The Secretary of State opened the White Paper by celebrating the success of our universities and this, along with the Government's acknowledgement of the sector's investment needs, is most heartening. In addition, the first steps in closing the funding gap have been taken. Universities UK estimated that £9.94 billion was needed for the UK and the 2002 spending review resulted in a good settlement for higher education, with £3.7 billion for England - a substantial sum. The proposals to increase the cap on tuition fees, to abolish up-front contributions and to reintroduce a student grant have also been well received.

However, as a critical friend of the Government's higher education policy, we need to point out the problems while welcoming the good news. What, then, are the major areas of concern?

Most importantly, recurrent funding for teaching is inadequate, especially in light of the need to modernise pay structures for all staff and the White Paper's emphasis on teaching excellence. Too many of the funds are tied to specific purposes and some are too small to achieve the improvements that are required. It is vital that public investment in teaching is maintained – and in fact increased – once the cap on tuition fees is raised in 2006. In addition, the expansion of higher education should be built around students' aspirations and employers' needs rather than narrowly focused on foundation degrees alone.

The proposal for an 'access regulator' has been controversial and we have been sceptical of the value it will add. Universities already work hard to widen participation. But much depends on the detail, and we will be considering carefully the Government's proposals for a new Office for Fair Access. We want to help the Government ensure that this body helps rather than hinders universities in achieving our shared objectives.

Universities UK, like others in higher education, is clear that research concentration in the UK has gone far enough. In our response we discuss our serious concerns about the results of increased concentration, both for universities and for the country as a whole. We argue that there should be no further reductions in overall funding for developing and improving research in future years.

Overall, there are serious fears that the White Paper's proposals will produce a specialised and differentiated sector that does not reflect the complexity of how universities have to operate in the public interest regionally, nationally and internationally. No-one argues that all universities are the same. But they should be able to choose their own missions, as institutions across the sector have been doing successfully for years. The danger is that mechanisms will be put in place which will force institutions down certain routes rather than being free to decide their own futures in the best interests of their students, their staff, their communities, and their local economies.

We hope to work with the Government to ensure that the admirable aims of the White Paper do not founder on the unintended consequences of some of its proposals.

A handwritten signature in black ink, appearing to read 'Roderick Floud'.

Professor Roderick Floud  
President

April 2003

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# Main response

## Scope

1. The following is Universities UK's response to the Department for Education and Skills White Paper on *The Future of Higher Education*. The main focus of this response is our view on the proposals for England. We recognise however that a number of the White Paper proposals have a wider impact across the UK, both directly and indirectly, not all of which are yet clear. These are being considered by our National Councils: Universities Scotland will be submitting a response focusing on these issues and Higher Education Wales will continue their dialogue with the Minister for Education and Lifelong Learning in Wales over the coming months.
2. We therefore urge the Government to give careful consideration to the impact of the proposals on Scotland, Wales and Northern Ireland, particularly around issues such as: differing definitions of a university; variable fees and student support; the effect on student flows; and any restructuring of the sector. We are concerned that some of these issues potentially could have a damaging effect on the reputation of UK higher education and on recruitment of international students.

## Introduction

3. The White Paper on the future of higher education provides a clear recognition of the importance of universities both for society and the economy. Its acknowledgement of the quality and success of the higher education sector supports much of the evidence put forward in Universities UK's response to the Government's discussion paper on higher education in December 2002.
4. We are pleased that Government recognises the substantial investment needs of the sector, particularly in research and teaching infrastructure, and proposes increased public funding in the short term to begin to address the shortfall. In the longer term, the Government has recognised the need for increased graduate contributions and the proposed new arrangements have several positive features.
5. There is a much needed simplification of the student support system. The abolition of up-front fees, the raised income threshold for loan repayments, the zero real rate of interest on loans, the continuation of the payment of the first £1,100 of fees for lower income families, and the re-introduction of the maintenance grant will all be important in addressing concerns over debt aversion among potential students from poorer backgrounds. We are pleased to see proposals to increase support for part-time students, and the increase and reform of the access premium, both of which will help ensure future expansion is better supported.

6. There are many other aspects of the White Paper that are very positive, including the emphasis on a 'whole sector' approach to access, more easily accessible information for students, enhancement of the quality of the student learning experience, recognition of the critical role universities play in their communities, and the creation of an Arts and Humanities Research Council. Universities UK has been a partner in much of the work that has led to these proposals.
7. We have given a full response to all the main recommendations in our commentary at Annex A. However, we focus this main response on those key areas in the White Paper that could have a detrimental effect on the shape and autonomy of the sector if they are not considered very carefully and progressed with the help of all the relevant stakeholders. These key areas include: future funding arrangements; the balance between regulation and autonomy in the sector; pay and staffing issues; and the future structure of the sector, including the separation of teaching, research and knowledge transfer functions and the move towards a more formal hierarchy of institutions.
8. In addition, we are concerned at the lack of reference to sustainable development and our joint group with the Standing Conference of Principals (SCOP) on sustainability issues will be submitting a separate response to Government.

## **Spending review settlement**

9. The extra £3.7 billion public investment for the higher education sector in England over the next three years is a necessary start to undoing the damage caused by past underfunding and will enable universities to work towards meeting the Government's strategic priorities. However, the settlement is still under half of the investment needs we identified in our spending review submission (£8 billion for England, £9.94 billion for the UK as a whole), a figure which was accepted by Government [see Annex B, which compares the spending review outcome with Universities UK's bid]. Universities UK is willing to work with Government, the Higher Education Funding Council for England (HEFCE) and other stakeholders to determine how sufficient additional resources can be found to deliver the White Paper proposals within the evident constraints on public funding.
10. It is already clear that almost all of the additional funding is earmarked for specific Government-led initiatives and will not translate into core funding for institutions. Of most concern is the fact that there is a real terms reduction in funding for baseline teaching and learning [see Annex C, which shows trends in core funding for teaching]. This is difficult to reconcile with the White Paper's emphasis on teaching excellence and the need to fund pay modernisation.



## **Institutional funding**

11. Universities UK supports the introduction of the new student contribution in England. We are pleased to see that universities will receive immediate income from Government, equivalent to the value of the fee, following the removal of an up-front fee contribution. It is vital that the level of recurrent public funding is maintained, as this additional private investment needs to be coupled with enhanced public funding from 2006 if historic underfunding is to be addressed and the sector is to be put on a sound financial footing for the future.
12. Public funding for higher education institutions as a proportion of GDP stands at 0.8% and by 2005 is planned to rise to 0.9%, moving closer to the OECD average of 1.0%. The danger of public funding being eroded as new fee income is generated must be avoided if we are to continue this trend.

## **Student support**

13. Universities UK supports the principle established by Dearing that individuals who benefit from higher education should make a contribution to the cost. We endorse the move towards treating students as independent adults at 18 through the introduction of a graduate contribution scheme. We are also pleased to see some simplification of student support schemes for those with dependants and access to hardship funding; we also welcome the simplification of administration of the student loan application and assessment process. These measures will help towards promoting wider access.
14. Universities UK has called for the introduction of a realistic level of maintenance support for students from the lowest socio-economic groups, who have an aversion to the accumulation of debt and might as a result be deterred from entering higher education. The proposals outlined in the White Paper will go some way towards addressing the concerns over debt aversion among potential students from poorer backgrounds. Restoration of maintenance grants, albeit at a low level, is a positive move if potential students from lower socio-economic backgrounds are not to be discouraged from participation in higher education. However, consideration should be given at an early stage to an increase in the level of the grant (at least to the level of the Educational Maintenance Allowance, currently £1,500) and to reviewing the eligibility criteria. The impact of the new funding arrangements on both debt averse students and on real debt levels should be monitored closely by Government.
15. In addition to this, the impact of the new funding arrangements on public sector careers (for example, nursing and teaching) and on subjects where there is a clear national need for graduates but demand from students is weak (for example, engineering and modern languages) should also be monitored.

## Teaching excellence

16. Universities UK supports measures to enhance and protect the standards of provision in universities, both academic standards and the quality of the student learning experience. We have been a part of the Teaching Quality Enhancement Committee, which has recommended the creation of a teaching quality academy. Such measures must continue to build on the excellent work already underway in the sector and involve all relevant stakeholders in implementation.
17. Most universities induct new teaching staff, and many have obtained accreditation of these induction programmes from the Institute for Learning and Teaching in Higher Education. This provides a sound basis for responding to the call for new staff in future to hold teaching qualifications, drawing on the work of the new teaching quality academy. Exhortation is clearly producing results. However, any requirement to have a qualification to teach is, and needs to remain, a contractual matter between an employee and his or her employing institution.
18. The White Paper also proposes the establishment of centres of excellence in teaching. The sector shares the desire to highlight, share and reward excellent teaching. We are determined that the identification of good practice, and its dissemination, is effectively supported. Additional funding, while welcome, should be used to enhance teaching across the sector and not in specialist units to which only a small proportion of students would have access.
19. The proposals for the centres of excellence include an assessment mechanism that could risk bureaucratic and distorting effects, as it duplicates already existing and effective ones. A way forward would be to channel the funding through the following:
  - The National Teaching Fellowships, which already highlight excellent teachers and the increase in funding to this initiative demonstrates the confidence of Government in this work.
  - The new teaching academy, which will incorporate the existing subject centres of the Learning and Teaching Support Network (proved effective in sharing good practice).
  - Human resource strategies (already submitted by institutions), that have included performance review and reward linked to performance. The vast majority of strategies have been classified as “full” or “full with conditions”. We are confident that these strategies will place institutions in a strong position to take advantage of the increased funding being offered for the specific rewarding of teaching excellence.

20. In this way, funding for enhancing teaching will reach as many excellent teachers as possible. Quality Assurance Agency (QAA) reviews have shown that excellence is widespread in the sector and is not limited to what would be only 70 departments amongst many hundreds. In addition, Universities UK would not accept that some departments are permanently better than others at teaching. Adopting an approach more closely linked to the good and developing practice identified by the new academy would be more dynamic. We are aware of very interesting developments in Scotland, in which the Scottish Higher Education Funding Council is encouraging and supporting the QAA in providing professional support for enhancement engagements in the sector, aimed at identifying and at spreading good practice. Universities UK would like to see this developed further, explored for application in England, and related explicitly to the work of the new academy.

## **Research excellence**

21. Universities UK supports the need to invest in research to international standards, but we are deeply concerned about increasing levels of selectivity in research funding, which is already more highly concentrated than in any other major country, including the United States. We believe that there must be a balance between funding top-rated departments to support excellence, protecting areas of research excellence across the sector, and encouraging new and developing areas of research through appropriate allocations of public funding.
22. Any plans to concentrate research funding further need to take account of the success of the present system. The 2001 research assessment exercise and various bibliometric indicators clearly demonstrate that the majority of research in UK universities is not only innovative, but of international quality. The 2001 research assessment exercise (RAE) found that 55% of research active staff now work in highly rated departments (the top two existing categories) compared with 31% in 1996. Moreover, 61 institutions had more than one 5\* rated unit and 96 had at least one 5 rated unit.
23. There is a risk that the net effect of the research proposals in the White Paper could be a more rigid hierarchy of institutions with only a relatively small number having access to significant research funds. The recent recurrent funding announcements from HEFCE could result in a substantial reduction in the capacity and potential of UK research. Removing or reducing funding from departments graded 3 and 4 will also have a significant impact on individual subject areas. In addition, research funds are used to pay academic staff and the teaching mission may suffer as a result. In some subjects, a combination of low student demand and reduced funding will put provision at real risk. For these reasons we are opposed to any further cuts from 2004 onwards. The uncertainty about future funding for research causes great difficulties for the good management of research investment and planning.

24. Universities UK believes that the proposal to move rapidly to a 6\* grade is fraught with difficulties and should be subject to detailed consultation in the same way as the RAE is currently.

## **Developing research**

25. There is a real risk that the present system will ossify and there will be little or no opportunity for new research teams to emerge as a result of these proposals. Despite the £20m capability funds announced to support research in some emerging subject areas, Universities UK is concerned about the discontinuation of mainstream research funding to 3a-rated departments. The White Paper acknowledges the importance of rewarding promising departments with comparatively low research ratings, particularly for work in new research areas. We look forward to learning more about how the scheme will work in practice. We believe that this process should be subject to full consultation. The timing is particularly critical; departments that have improved their ratings in the last five years will be at risk if their funding is interrupted. They may not be able to continue their development and may be at risk of closure.

## **Collaboration**

26. We recognise the advantages of collaboration, particularly across traditional research disciplines, and many groups already operate in this way. Development of consortia may limit the impact of increased concentration. However, time is needed to develop such collaboration and it may not be appropriate in all disciplines. If it is to work effectively, it must grow from mutual need and benefit, and we are pleased to note the White Paper's acknowledgement of this. Collaboration is not a quick-fix for dealing with the consequences of a stratified sector and it raises practical difficulties over competition, costs, capacity and geography. We look forward to learning more about how Government will provide support towards encouraging such activities, and would welcome discussions towards a realistic view of collaboration and what its benefits and limitations are.

## **Knowledge transfer**

27. We are pleased that the White Paper recognises the benefits of higher education as key to the economic health of the nation and recognises the importance of knowledge transfer. However it is important that work in knowledge transfer is carried out wherever it is found and not just in "the less research-intensive universities" and through "knowledge exchanges". It would be foolhardy to restrict in this way universities' options to work with business. This risks a fragmented higher education sector unable to respond to expectations for regional and national economic growth and development. Applied work depends on the link between research and knowledge transfer and would be put at risk by any artificial stratification of the system.

28. Universities UK wishes to see consultation on the methods by which knowledge transfer and the knowledge transfer centres will be assessed, in order to avoid any unintended consequences. In addition, changes to the funding streams for research and knowledge transfer must be coordinated to ensure that any financial fluctuations are minimised, and that institutions have the ability to respond positively to this agenda.

### **Expanding higher education**

29. Universities UK is glad to see a continued commitment from Government in the White Paper to expanding the participation in higher education towards 50% in England. The increase in the access premium to 20% is in principle a positive move, had the additional funding been provided in the Spending Review. The effect of not funding this increase has been to reduce the main unit of funding for teaching for all institutions, and risks damaging the experience of students in higher education.
30. The reform of the access premium to reflect a number of new indicators is welcome and will help universities in attracting and retaining non-traditional students. Detailed consultation should take place with a wide range of stakeholders on the most appropriate and applicable indicators, as the existing performance indicators are inadequate.
31. We believe that if the 50% target is to be achieved there will need to be action across all age ranges, not just 18-30, and in relation to both full- and part-time higher education, continuing professional development and work-based learning. As part of this action, universities will wish to take a leading role in future work on the Foundation degrees framework, building on the wide range of existing professional, vocational and work-focused courses at degree and sub-degree level that already meet the demands of employers and the needs of students.
32. However, future expansion should not be restricted to Foundation degrees but should be based on students' aspirations and will need to offer a diversity of approaches. The market for Foundation degrees has not yet been proven and is anyway dependent on take-up by employers. Universities must be in a position to meet student demand, particularly at a time when we are uncertain about the impact of the new funding arrangements. Students should be free to apply to whatever course they wish and widening participation should not push applicants from non-traditional groups into courses that may not suit them. In addition, consideration should be given to the principles of lifelong learning and providing the funding and routes for any new Foundation degree students to continue to achieve Honours degree status if they wish.

## University title

33. Universities UK cannot understand the assertion in the White Paper that the link between teaching and research is indirect. It is clear that all higher education institutions benefit from the vital interdependence of teaching and research, and to lose this is potentially damaging not only to students but also to the sector as a whole. Teaching at undergraduate, taught postgraduate and research degree level relies fundamentally on research work, and the best teachers are attracted to universities by research opportunities. We need excellent teachers who are at the forefront of the latest knowledge and developments in their fields. It is they who also carry out the applied research that the nation needs.
34. Universities UK believes that the proposals to make university title dependent on taught degree awarding powers only need much more careful consideration. The UK Government is committed to the Bologna Declaration, which is in turn linked affirmatively to the *Magna Charta Universitatum* that emphasises the indivisibility in university education of teaching and research. European higher education is committed to this key *Magna Charta* principle, endorsed by 700 universities worldwide.
35. If the requirement for research degree awarding powers is to be waived for institutions applying for the university title, there must be a requirement for demonstration of significant research activity in the institution concerned. In the US, for example, institutions in the liberal arts sector have provision for staff to engage in research, possibly through an association between the staff member and a research-intensive university; and there are implications for the level of library and other support in the liberal arts college to support the research and scholarship of the teachers. We think that our colleagues in Europe would expect at least this much, if not more, in a European University.
36. We endorse the view that PhD students must be trained to the highest possible standard in skills that are relevant to business as well as their chosen areas of research. However, we are concerned that the White Paper indicates that this approach may lead to a future model where postgraduate degree awarding powers are restricted to successful research consortia (we assume this means postgraduate research degree awarding powers). Not all research fits the consortium model. If the research base is to maintain its competitive and dynamic edge, it is vital that the system can accommodate all models, and this must be reflected in provision of postgraduate training and support. All universities must retain their postgraduate degree awarding powers (both taught and research) and students should continue to be encouraged to undertake their PhDs under the supervision of the most appropriate supervisor, regardless of whether that supervisor is a member of a formal consortium or not.

## Europe

37. The UK Government wishes to be at the heart of Europe and has taken a lead in the Bologna Process and development of the European Higher Education Area. It is therefore difficult to understand why there is no mention of the UK's commitments in Europe in the White Paper. There is no reference to the Bologna Process, to the European Credit Transfer System or to the Diploma Supplement. The White Paper fails to refer to the European Research Area and makes only a passing reference to UK universities' participation in the EU's Framework Programmes for research, which is substantial. UK higher education must not find itself out of step with the rest of Europe if we wish to remain leaders in European higher education.

## Pay and staffing issues

38. The additional funding for human resource strategies, rewarding good teaching and investing in researchers, is to be welcomed. However, there is at present a lack of clarity about how this money can be used to underpin pay reform and deliver the modernised pay structures which the Universities and College Employers Association (UCEA) and the higher education unions are committed to developing by August 2003 on a UK-wide basis.
39. A great deal of progress has been made in the Joint Negotiating Committee for Higher Education Staff (JNCHES) and work is well underway on developing new pay structures which offer choice, flexibility and reward linked to contribution. This work will, however, only be brought to fruition if institutions have the funding available to implement modernised pay arrangements. The alternative is that institutions will need to bolt more market supplements, performance rewards and other forms of differentiated pay onto present structures. That is likely to exacerbate equal pay problems and generate claims to employment tribunals.
40. A way forward could be found if HEFCE were to release "Workforce Development" monies (baseline £170m plus additions) in response to satisfactory commitments on:
- consolidation and furtherance of improvements in HR management resulting from the *Rewarding and Developing Staff* initiative.
  - implementation of new pay systems (whether locally or nationally determined) which:
    - enable recruitment and retention difficulties to be tackled effectively (including by use of market supplements);
    - reward the contribution which staff make (in teaching, research and other fields);
    - ensure equal pay for work of equal value.

41. There are also some broader issues to consider, such as: the implications for staffing of further concentration of research funding (including redeployment and redundancies); the failure of the White Paper to acknowledge universities' need to tackle serious problems in recruiting and retaining support staff; how "excellence" in teaching might be defined and measured.

## **Regulation and autonomy**

42. The White Paper pays tribute to the successful management of the sector and acknowledges university autonomy in relation to "the power to determine their academic and operational future; lead, manage and appoint their own staff; determine their estates strategies; and manage their resources as they see fit". This clear statement of support for university autonomy needs to be reiterated in relation to other recommendations arising from the White Paper and especially in relation to the increased role for HEFCE in such areas as human resource strategies, rewarding teaching, and leadership and management.
43. There are elements of the White Paper that will need to be carefully thought through if they are not to have a direct effect on the regulatory burden of universities, including the 'access regulator' (the Office for Fair Access), the direct funding of centres of teaching excellence, and the extra support for a new category of research department/larger units subject to good governance, management and leadership.
44. Universities UK therefore wishes to be fully involved in the Department's impact assessment of the regulatory burden of the White Paper's proposals.

## **Access regulator**

45. Universities UK notes the proposals for an Office for Fair Access (OFFA) and will be responding to these fully in due course. We remain to be convinced of the value of such a body and what it would add to existing widening participation initiatives and the performance indicators and funding mechanisms already in place to encourage access, particularly given that Government has accepted that the biggest barrier to university entry is prior educational attainment and aspirations in the 14-19 age group. However, we wish to be fully involved in the development of the proposals and we look forward to discussing the detail with Government and other stakeholders.
46. The main issue to consider is whether these proposals, including the power to impose financial penalties, are really the best way of ensuring wider access to higher education. The role of OFFA should be monitoring, advising and facilitating rather than target-setting and imposing penalties. Universities UK would not like to see a situation where university places are ring-fenced for those applicants from non-traditional groups. We would prefer to see



action taken by building on existing good practice to ensure that the whole sector benefits and students are free to choose where they wish to study.

47. Much work is already being done by universities to engage with schools and colleges, which will be augmented by the 'AimHigher' programme proposals. Universities UK has played a major role in developing and extending good practice in this area, including the publication and dissemination of two key reports on social class and participation.

## **Conclusion**

48. There are many positive proposals in the White Paper. The key now is to involve all the relevant stakeholders in detailed consultation on how to move the proposals forward. In addition, we hope the Government will give consideration to the particular concerns for the sector detailed here.

(April 2003)

# Annex A: Commentary

1. This paper provides detailed comments from Universities UK on each substantive chapter of the Government's White Paper on *The Future of Higher Education*.

## Chapter 2: Research Excellence – building on our strengths

### General comments

2. Universities UK welcomes the Government's confirmation of the importance of research as one of the three key missions of a university and also as a vital component of innovation and the Knowledge Economy. It also welcomes the additional funding to be made available for research.
3. The more detailed impact of the White Paper on research – particularly on the relationship between proposals to increase concentration and to support emerging research - is obviously difficult to assess without indicative financial figures against specific proposals, but the general direction of Government thinking is now clear.
4. Universities UK supports the need to invest to international standards, but we are concerned about increasing levels of selectivity in research funding, which is already more highly concentrated than in any other major country, including the United States.
5. We believe that there must be a balance between funding top-rated departments to support excellence; protecting areas of research excellence across the sector; and encouraging new and developing areas of research through appropriate allocations of public funding.
6. Any plans to concentrate research further need to take account of the success of the present system. The 2001 research assessment exercise and various bibliometric indicators clearly demonstrate that UK universities continue to produce much innovative research of international quality. The 2001 RAE found that 55% of research active staff now work in highly rated departments (the top two existing categories) compared with 31% in 1996. Moreover, 61 institutions had more than one 5\* rated units and 96 had at least one 5 rated unit.
7. There is a risk that the net effect of the research proposals in the White Paper could be a more rigid hierarchy of institutions with only a relatively small number having access to significant research funds. There could be a substantial reduction in the capacity and potential of UK research if departments graded 3a and 4 are no longer funded, or funding is reduced. There is a real risk that the present system will ossify and there will be little or no opportunity for new research teams to emerge.

8. The arguments that apply to the concentration of basic science which is team-based and requires heavy infrastructure investment are not so relevant in the humanities and social sciences where the individual scholar is still a valid concept.

### Key points and proposals

#### **Research funding (paragraphs 2.1 – 2.4)**

#### ***The recent spending review will increase expenditure on science and research in 2005/ 06 by £1.25bn a year compared to 2003/04 – around 30% in real terms***

9. This is a positive move, which we have already welcomed as part of our response to the Investing in Innovation strategy.
10. This headline figure includes monies allocated to DTI, with a £244m increase to HEFCE in 2005/6 for the research component of university block grants. When this was first announced, we stated that it should allow the outcome of the RAE 2001 to be funded in full, but the White Paper now indicates that this will not be the case in view of the new funding priorities identified (para. 2.6). The consequences of this decision will impact directly on the 3a and 4 departments.
11. The White Paper implies that funding may not only be focused on the best researchers, but also on priority areas.

#### **Organisation of research (paragraph 2.5 – 2.10)**

#### ***We will invest more in our very best research institutions, enabling them to compete effectively with the world's best universities***

12. The White Paper proposes “to improve the position of research still further by focusing resources more effectively on the best research performers and by providing appropriate incentives for university researchers to collaborate....” (paragraph 2.8).
13. Universities UK’s views on increased concentration of research funding are given in paragraphs 3-8 above.
14. Universities UK firmly believes that research and teaching are integrated concerns of all HEIs, although the balance between these activities will vary at all levels from overall institution to individual staff within an institution. We are therefore deeply concerned at the government’s view that research and teaching are not interdependent in our universities. Even if it were possible to start from a blank canvas, Universities UK considers that research and teaching activities cannot be separated in a higher education institution.

15. In our response to the consultation, we stated that research benefits teaching in four ways. It:
  - exposes students to the cutting edge of research;
  - develops critical attitude of enquiry;
  - has the indirect and direct benefit of attracting and retaining good staff;
  - has the indirect and direct benefits of allowing facilities to be shared.
  
16. We also pointed out that teaching benefits research through:
  - the direct stimulus of student interest in academic research;
  - providing a means for the communication of research findings;
  - the indirect benefit of creating the research leaders of the future.
  
17. For example, increased research selectivity risks leaving some health professionals and medical students to study in an environment that offers little exposure to research-active staff, thus reducing their opportunities to develop research skills in support of evidence-based practice in the workplace.
  
18. The separation of teaching and research will also have an impact on the recruitment and retention of academic staff. Good teaching staff who are also active researchers will not be attracted to join institutions which do not offer access to research facilities. Undergraduate students will suffer as their exposure to research training is reduced or even removed.
  
19. The presence of postgraduate research students is key to active, successful research. They indicate a strong research capacity and contribute to wider research efforts as well as undertaking their own research topics.
  
20. We therefore wish to see the evidence on which the White Paper bases its comment that “the connection between an institution’s research activities and its teaching are indirect.”
  
21. We are also concerned at the continuing government perception that good researchers are not good teachers and vice versa. All the evidence points to the existence of a very successful teaching force in UK HEIs, which is already highly professional in its outlook and use of pedagogy. Standards are in place, training courses are provided and there is regular evaluation to ensure that students receive good teaching.

**A framework for research development (paragraphs 2.11 – 2.13)**

***We propose to encourage the formation of consortia, provide extra funding for research in larger, better managed research units, and develop criteria to judge the strength of collaborative work***

22. We recognise the strengths of collaboration, particularly across traditional disciplines and note that many groups already operate in this way. Development of consortia may limit the impact of increased concentration. However, time is needed to develop such collaboration, and to work effectively, it must grow from mutual need and benefit, and we are pleased to note the White paper's acknowledgement of this fact. We look forward to learning more about how the government will provide support towards encouraging such activities.
23. We note the White Paper's steer towards establishing more graduate schools. We support the development of graduate schools wherever there are active centres of research. However, we would argue strongly against the idea that only a minority of universities should offer postgraduate studies. We also need to learn more about how the government proposes to encourage staff to develop in a system which would as a consequence become increasingly specialised. We doubt that a limited number of Fellows will be sufficient to meet increased need for staff mobility.
24. There is still a role for the lone scholar within some areas of research, particularly in the arts and humanities, and it is important that such individual activities can be accommodated alongside the moves towards collaborative activities.

**Research Assessment (paragraphs 2.14 – 2.16)**

***And we will also make sure that the very best individual departments are not neglected, by making a clearer distinction between the strong and the strongest***

25. DfES has asked HEFCE to identify the very best of the 5\* departments which have a critical mass of researchers, and proposes a "6\*" grade with a promise of additional resources by 2003/04. We believe that this exercise is fraught with difficulties and will have to be carried out too rapidly for fairness and consistency if such a time frame is maintained. We believe that there ought to be proper consultation in the same way as is currently happening with the Roberts review of research assessment.

**Supporting our leading universities (paragraphs 2.17 – 2.19)**

26. Universities UK's position on increased concentration of research funding is given above.

27. Universities UK agrees that effective leadership, governance and management with respect to research planning, intellectual property, collaboration and knowledge exploitation are essential if universities are to maintain their cutting edge. We would argue that many good examples of this already exist and we look forward to demonstrating the effectiveness of our current arrangements and exploring opportunities for further development with the Lambert review.

**Supporting emerging research (paragraphs 2.20 – 2.21)**

***It is important that new research areas and centres can emerge and flourish. We will support emerging and improving research and make sure that the system does not ossify***

28. The White Paper acknowledges the importance of rewarding promising departments with comparatively low research ratings, particularly for work in new research areas. We look forward to learning more about how the scheme will work in practice, particularly how funding for departments with lower ratings can be related to the potential to progress and how support of emerging potentially important areas of research can be built. We believe that this process should be subject to full consultation.
29. The timing of these schemes is particularly critical. Departments which moved from lower grades in the previous five years will be at risk if their funding is interrupted. They may not be able to continue their development and may be at risk of closure. As well as destroying possible new areas of innovation, there will be, at least in the short term, the possibility of consequent reduction in teaching places at a time when the government wishes to widen participation and increase the number of science, engineering and technology graduates in particular. We are interested to learn the government's view on this likely scenario.
30. Improvements in research units' scores between the 1996 and 2001 RAEs demonstrates the importance of funding emerging research if future centres of excellence are to be secured. The following table sets out these improvements and the level of mobility in the system.

### Grade shifts in recent Research Assessment Exercises

Grade 1996

	1	2	3B	3A	4	5	5*	Sum
Grade 2001								
1	3	3	1					7
2	<b>28</b>	49	14	2	1			94
3B	<b>19</b>	<b>98</b>	65	23	5			210
3A	<b>17</b>	<b>95</b>	<b>152</b>	108	34	4	1	411
4	<b>3</b>	<b>30</b>	<b>88</b>	<b>191</b>	220	56	2	590
5		<b>9</b>	<b>20</b>	<b>105</b>	<b>277</b>	215	47	673
5*				<b>10</b>	<b>42</b>	<b>106</b>	110	268
Sum	70	284	340	439	579	381	160	

Bold = improved grade in 2001

Italics = static grade between 1996 and 2001

31. For example, 144 research units improved between 1996 and 2001 from being rated either 3A or below in 1996 to being rated either 5 or 5\* in 2001.

#### **Creation of an Arts and Humanities Research Council (paragraphs 2.22 – 2.23)**

***We will create a UK-wide Arts and Humanities Research Council to put the organisation of funding for the arts and humanities on the same footing as funding for science and technology.***

32. Universities UK has consistently argued for the creation of an Arts and Humanities Research Council and looks forward to its formal establishment alongside the other Research Councils by 2005. It is important that the new Council is able to support emerging centres of excellence as well as those which are already world leaders. Arts and Humanities are another area of growth and innovation with an equally valid role in the Knowledge Economy (particularly with regard to the Creative Industries).

### **The Roberts review of skilled people in science and technology (paragraphs 2.24 – 2.26)**

33. Universities UK has supported the increase in the PhD stipend to an average of £13,000, which will help to encourage graduates into postgraduate work. We endorse the need for high standards in training and transferable skills for postgraduate students. However, we are concerned that the White Paper appears to believe that these needs can only be provided in institutions with high RAE scores. We also have concern at the longer-term view expressed in the White Paper that postgraduate research degree awarding powers could be restricted to successful research consortia [we assume that the White Paper means this, although it refers only to “postgraduate degree awarding powers”]. Not all research is “big science”, and it is essential that this fact is recognised in the system if we are to maximise government investment in the research base.

### **Investing in researchers (paragraphs 2.27 – 2.32)**

***We will invest in developing and rewarding talented researchers. There will be rigorous new standards for government-funded research postgraduate places, and good researchers will be rewarded, through the extra investment in research in general, money ear-marked for pay, and more time to concentrate on research.***

34. Universities UK has lobbied consistently for additional resources to improve pay for researchers and other staff, particularly in areas where there are recruitment problems. Universities will welcome use of the extra research funding for this purpose, and will be keen to collaborate in the development of necessary mechanisms for both distributing the funding and its use (building on the national framework for market supplements currently being developed by the JNCHES). Universities UK and UCEA will also be looking further at the comparisons in the White Paper between salaries of researchers in the USA and UK, which do not match previous perceptions.
35. Substantial redistribution of research funding will inevitably disrupt current employment patterns and may require redundancies. The financial and other costs of this, and of ameliorating the impact on promising research careers, should not be underestimated.
36. The White Paper refers to researchers working in science, engineering and technology. It is important that we do not lose sight of the fact that these proposals will also apply to researchers working in the arts, humanities and social sciences.
37. We are pleased to note proposals to promote mobility of researchers through the introduction of the Promising Researcher scheme.



38. The guidance agreed with trades unions through the JNCHES last summer, and the imminent amendment of the model statute for pre-1992 universities, will help in reducing the proportion of staff on fixed-term contracts.

## Chapter 3: Higher education and business – exchanging and developing knowledge and skills

### General comments

39. The White Paper recognises the benefits of higher education as key to the economic health of the nation; emphasises their extensive, positive impact on the local, regional and national economies; and refers to the social and cultural contribution they make to their communities.
40. The key area of concern is the proposal to ***'promote a clear and crucially important mission in knowledge transfer for the less research-intensive universities. We wish to see these universities concentrating on acquired technology and working mainly with local companies through consultancy rather than licensing new technology'*** [para 3.5.]. This suggests an attempt to restrict universities' missions and options for business, which will lead to a stratified, fragmented HE sector unable to meet expectations concerning regional and national economic growth and development. It is an attempt to balance the proposals in the chapter on the funding of basic research.

### Key proposals

***HEIF will draw together support for reach out from HE to business and become a permanent third stream of funding worth £90million a year in 2005/6 as announced in Science and Innovation White Paper (paragraphs 3.4-3.5)***

41. This was announced by the Chancellor in July 2002 and is a positive response to Universities UK's case.

***Stronger partnerships will be encouraged between HEIs in each region and the RDA and other agencies charged with promoting economic development. This will include RDAs being given a stronger role in steering the HEIF (paragraphs 3.10-3.12)***

42. Announced by the Chancellor in July 2002 and reiterated in the 'Investing in Innovation' science and technology strategy. However, UUK will seek clarification on the exact role of RDAs, to ensure that it does not mean that funds that would previously have been distributed through HEFCE will now go to RDAs. Clarification is needed of the national policy framework within which RDAs will now operate.

***There will be additional funding within the HEIF programme to set up a network of up to 20 Knowledge Exchanges to promote the critical role of less research-intensive HE institutions in transferring technologies and knowledge, and in skills development, within local communities of practice (paragraphs 3.6-3.9)***

43. This is another area where the White Paper seeks to restrict universities' missions and impose a degree of specialisation. Applied work depends on the link between research and teaching and would be put at risk by any artificial stratification of the system. This issue is also linked to the reference in Chapter 2 to the lack of strong evidence about the relationship between teaching and research. Furthermore, it does not seem to take account of the fact that '40% of university research funding comes from external sources (including industry) – much of it earned by universities that do not receive substantial public funds for basic research - and their increasing involvement in the knowledge transfer process.' [paragraph 2.29 of the Universities UK response to the DfES consultation paper in December 2002]
44. The proposals to establish an evidence-base of good practice in knowledge transfer and skill development would require further detailed consideration and need to build on extensive existing work. For example:
- The TCS (Formerly the Teaching Company Scheme) gives businesses help in accessing the knowledge, skills and expertise available in the UK's universities, colleges and research organisations in the areas of science, engineering, technology, design, and business management;
  - AURIL (Association for University Research and Industry Links) is a membership organisation of professional knowledge transfer specialists. It addresses specific issues or produces good practice guides which serve the needs of members. Universities UK recently worked closely with AURIL, Patent Office and DTI to produce 'Managing Intellectual Property: The Guide'. The Guide informed senior managers in universities on best practice, and suggested how the potential benefits of effective Intellectual Property (IP) management could be achieved;
  - Some regions have set up a single portal that directs businesses to the relevant research units, projects, and personnel within their area such as 'Knowledge House' that covers the North East of England and 'KnowledgeNorthWest' that covers the North West of England.
45. This focus on the role of less-research intensive universities on knowledge transfer needs to take into account the RDA agenda, regional science strategies, and the scope for greater institutional collaboration at regional level. A wide range of universities are already making a substantial contribution to these agendas *as appropriate to their institutional mission and regional roles.*

***We will drive forward foundation degrees, making them the main work-focused higher education qualification (paragraphs 3.18-3.22)***

46. Foundation Degrees are discussed further in relation to Chapter 5 below. We welcome the announcement of development funding, the review of costs and funding levels, and the greater flexibility for universities in determining the arrangements for progression to an honours degree. However, we would point out that these arrangements, and the styling of the award as FDA, FDS etc, is a matter for the validating university. Below we express concerns about the incorporation of HNDs and HNCs into a 'foundation degree framework' and the proposed new 'national network' of validating universities.

***The new sector skills councils will develop stronger alliances between business in their sectors and the relevant departments in higher education institutions both to develop and market courses and involve employers in the delivery of learning (paragraphs 3.16-3.17)***

47. Universities UK welcomes the encouragement to develop stronger alliances, which are likely to be built upon existing partnerships. Universities UK has already forged links with the new Sector Skills Development Agency and individual 'trailblazer' and newly emerging Sector Skills Councils. We are working on a high level concordat with the *Skills for Business Network* and an action plan to realise specific initiatives.
48. Higher-level skills shortages may be partially addressed by Foundation Degrees, but should not be limited to these. A strategic approach to course design, work experience and assessment (para 3.17) requires enduring partnerships with employers who can identify accurately shortages in skills and gaps in knowledge and agreement to work together to address these. The dialogues developing in some regions with Learning and Skills Councils, and through Partnerships for Progression, could support new developments.
49. Universities UK welcomes the recognition that many universities have developed courses with a strong vocational focus that meets the needs for skills and knowledge in expanding areas of the economy, but this is not limited to "the newer universities", as the White Paper states (para 3.15). The examples given show the high level and speed of responsiveness of universities to changes in employment demand. The document also acknowledges the efforts of universities to enhance the employability of graduates in non-vocational courses, as evidenced in our report with the HE Careers Services Unit, *Enhancing Employability, Recognising Diversity*. It mentions short CPD courses for those with substantial work experience. However, it is unfortunate that this evidence is ignored in the later proposals to limit expansion to foundation degree places only. It is our view that this unnecessarily constrains universities in meeting employers' and students' needs which, in some sectors of the economy, may require higher level - and generic as well as sector-specific - skills and knowledge.

***We will continue to support higher education institutions in their role as community leaders, celebrating the cultural and social contribution that they make (paragraph 3.13)***

50. This recognises universities' roles as outlined in the Universities UK submission in December 2002. Universities UK should continue to press government to support and develop this further.

***We will continue to work through TTA, the Department of Health and others as vital partners in our plans to develop the public sector workforce (paragraphs 3.24-3.25)***

51. This is a re-statement of current policy. However, it is linked to other references to 'developing the public sector workforce' (paragraph 3.24), and 'training for health professionals through the NHSU (a 'corporate university' for the NHS, which will be one of the world's largest learning organisations)'. Proposals to change the system for awarding degree-awarding powers are at paragraphs 4.33-4.35 of the paper, and are relevant to likely methods of establishing the NHSU.
52. If universities, including research intensive universities, are to continue to regard the training of teachers as a core part of their missions, the funding levels will have to be increased to match the costs of provision in this area. At present, it is becoming apparent that many initial teacher training providers are having to subsidise this from other activities, including non-education teaching and research. The burden of regulation and inspection is also heavier in this area. The Universities UK and SCOP Teacher Education Advisory Group is currently pursuing these issues with the relevant parties.

***We look forward to the findings of the Lambert Review of links between higher education and business and the DTI/Treasury Innovation Review, and will build on our proposals in the light of them (paragraphs 3.26-3.27)***

53. Universities UK will be contributing to this review and will be commissioning a study focusing on the demand side of higher education - business interaction.
54. Universities UK was a member of the steering group that produced HEFCE's Higher Education-Business Interaction report 2001. The national survey goes some way to understanding the supply side and has demonstrated the quantity and quality of UK higher education's interaction with business. For example, in 1999-2000 compared with 1998-9, there was 7.7% growth in sponsored research income, of which 12.3% was from business (a proportion that is slightly higher than in the USA).

## Chapter 4: Teaching and learning - delivering excellence

### Key proposals

***Rebalancing of funding so that new resources come into the sector not only through research and student numbers, but through strength in teaching (paragraphs 4.17-4.19)***

***Establishment of new national professional standards for teaching in higher education as the basis of accredited training for all staff. All new teaching staff to receive accredited training by 2006 (paragraph 4.14)***

***Consultation on the establishment of a teaching quality academy to develop and promote best practice in teaching (paragraph 4.24-4.25)***

***Increase in size of National Teaching Fellowships Scheme to reward twice as many outstanding teachers (paragraph 4.27)***

55. Universities UK supports measures to enhance and protect the standards of provision in universities, both academic standards and the quality of the student learning experience. Our members have contributed largely to the work of the Committee which is recommending the “teaching quality academy” and we look forward to considering the report very thoroughly and exploring its implementation.

***Improvement of information for students, including national annual student survey, institutions to publish summaries of external examiners’ reports from 2004. Pulled together in ‘Guide to Universities’ produced by NUS (paragraphs 4.2-4.6)***

56. We were also parties to the work which led to proposals for strengthening and extending the information available to students and others and support the thrust of the Government’s proposals.

***Improvements to the measurement and recording of student achievement by reviewing firstly progress being made with the use of transcripts and personal development portfolios, secondly ways of measuring “value added” and finally the honours classification system (paragraphs 4.7-4.10)***

57. We welcome the invitation from the Department, with SCOP and the QAA, to review the progress being made on the use of transcripts and personal development *planning* (rather than the term ‘portfolios’, used in the White Paper, para 4.8). We have argued, in our report (with SCOP) of the project on *Student Services: effective approaches to retaining students in higher education*, that “HEFCE should consider whether its funding methods and performance indicators could reflect student success more accurately” (Recommendation 3, p25), and assume that paragraph 4.9 of the White Paper aims to implement this.

58. The UK needs to take full account of developments with the Bologna process in credit transfer and accumulation (based on ECTS) and the Diploma Supplement.
59. We are more cautious, however, about the proposed HEFCE-led review of the honours classification system and possible alternative methods for presenting the overall achievement of students (in addition to transcripts) (para 4.10). As an exercise in increasing awareness and understanding of different approaches, Universities UK would welcome involvement in this review; indeed, the review should be led by the representative bodies. The assessment of students is a matter for individual universities and is an essential element of degree-awarding powers. Any 'change in methodology' would have to be by consensus, and after considerable consultation, and could not be imposed or prescribed without contravening Section 68 of the 1992 Further and Higher Education Act, which guarantees institutional autonomy on academic matters.

***Improving the quality of teaching through the adoption of national professional standards and recognising and rewarding good teachers (paragraphs 4.14 and 4.17-4.19)***

60. Considerable progress has been made by institutions, working with the Institute for Learning and Teaching in Higher Education (ILTHE), in ensuring that newly appointed staff participate in teaching and learning programmes and in the development of a continuing professional development framework for all teachers in higher education. Almost all institutions provide or participate in the provision of an accredited programme for teachers in higher education, the majority of new teaching staff participate in these programmes and many go on to become members of the ILTHE. The ILTHE, working with the sector and a wide range of stakeholders, has recently issued a consultation on the CPD framework for adoption by individuals and institutions. Many staff already undertake CPD as part of their participation in their professional body or subject association or through encouragement by institutions. Any professional standard or CPD framework adopted by the sector, to be truly effective, needs to be accepted and supported by staff within the sector. The proposals should build on the work and approach of the ILTHE which will be continued by the new "teaching quality academy".

**Fair pay in higher education (paragraphs 4.17-4.30)**

***The additional funding for human resource strategies and rewarding good teaching. To qualify for the additional funding HEIs in England will need to submit revised and extended HR strategies which include: use of market supplements or other differentiated means of recruiting and retaining staff of the right calibre; commitments to reward good performance, especially in teaching; improvements in equal opportunities for staff; use of “golden hellos” (of up to £9,000 over 3 years to academic posts in shortage subjects); measures to support junior research staff.***

61. The additional funding both for Human Resource strategies and for rewarding good teaching is welcome, as is the commitment to transfer this to the block teaching grant. Greater use of market supplements and differentiated rewards for performance will exacerbate concerns about equal pay if they are not linked with modernisation of present pay structures. It will therefore be important that criteria for release of these monies should facilitate necessary pay reforms, including through negotiations to replace current national agreements (as presently being pursued through the JNCHES) with new structures which:

- enable recruitment and retention difficulties to be tackled effectively (including by use of market supplements);
- reward the contribution which staff make (in teaching, research, enterprise and other fields);
- ensure equal pay for work of equal value.

62. It is regrettable that the White Paper fails to mention the important contribution of support staff. Pay reform and targeted pay increases are also essential for these staff groups if universities are to tackle effectively the major recruitment and retention problems revealed by successive UCEA surveys.

***Strengthening of the training given by institutions both to enable staff to fulfil their roles as internal examiners, and to prepare them to take on the role of external examiners; and improved induction for newly appointed externals, including a national programme for external examiners by 2004/05 (paragraph 4.16)***

63. We are committed to the UK's system of external examiners as an effective and robust mechanism and are determined that it should be fit for purpose in the changing and increasingly demanding world of higher education. We have agreed a series of actions to underpin the system while retaining its important UK-wide commonality.

***Establishment of Centres of Excellence in teaching to reward good teaching at departmental level and promote best practice (funding of £500k each year for 5 years for each Centre, plus chance to bid for capital funding) (paragraphs 4.28-4.30)***

64. We understand from the Minister that the proposals for Centres of Teaching Excellence have the laudable aim of enabling best practice to be shared. The ideas as they stand run some risk of appearing to “grade” departments. Experience of assessment of teaching quality in the past should warn us that it is difficult to avoid unintended consequences and wasteful inter-institutional presentational competition, and that therefore great care will have to be taken over the methods used to identify such centres. This initiative should be much more closely linked with the work of the new teaching quality academy.
65. The additional funding should be devoted to the institutional work of the LTSN as it is taken forward by the new teaching quality academy and devoted to transfer of best practice through the successful Subject Centres already established in key departments. The new academy should use its networks and the greatly improved statistical and narrative information which will flow from the work now in hand, targeted for 2003 and 2004 by the Government in the White Paper, to promote relevant enhancement. Such an approach would have the additional benefit of broad consistency with the constructive ideas now being developed in Scotland and therefore helping to maintain a UK-wide approach.
66. If the potential funding of £315 million (£175 million in 70 five year grants of £2.5 million and 70 capital grants of £2 million) is to celebrate, share and reward excellent teaching then the way to maximise value and minimise bureaucracy could be :
- to celebrate excellent teaching via the expanded National Teaching Fellowship Scheme;
  - to share excellent practice via the LTSN subject centres and;
  - to reward excellent teaching by increasing the support given to institutions to fulfil the Human Resource Strategies which include a requirement to rewarding good performance (para 4.22).

***Forthcoming higher education bill will include the establishment of an independent adjudicator to hear student complaints (paragraphs 4.11-4.12)***

67. Universities UK supports the principle that there should be a fair, open and transparent arrangement to enable student complaints to be independently reviewed when internal complaints procedures have been exhausted.
68. Universities UK, in consultation with other representative bodies in the higher education sector, is working closely with the DfES on the creation of an Office of an Independent Adjudicator to achieve this. The aim is to have it in place by September 2003.



69. Until the Office has a statutory framework, which Universities UK has urged Ministers to provide as soon as the Parliamentary time-table permits, participation in it by higher education institutions will be voluntary. Universities UK very much hopes that the majority will do so. However, to ensure that from the start, it has a sound legal, constitutional and financial basis the Minister has in principle agreed to provide it with DfES financial support during the first two years from the date of its inception. Considerable work is now underway to meet the agreed deadline of September.

***University title to be made dependent on taught degree awarding powers, from 2004/05 it will no longer be necessary to have research degree awarding powers to become a university.***

***Review to be undertaken by QAA on this (paragraphs 4.31-4.35)***

70. On the continent of Europe, University title is commonly understood to embrace research and this proposal and its implications will need to be considered further. The Bologna Declaration, which the UK Government signed in June 1999, refers to the fundamental principles of the *Magna Charta Universitatum*, which include the indivisibility in university education between teaching and research. The *Magna Charta* reads: “*Teaching and research in universities must be inseparable if their tuition is not to lag behind changing needs, the demands of society, and advances in scientific knowledge.*” The *Magna Charta Universitatum* has been endorsed by 700 universities worldwide. Thus, the separation of institutional teaching and research missions contradicts a principal espoused by universities across America, Australasia as well as Europe.
71. If the criteria for conferring University title move away from the explicit requirement for authority to award research degrees, there must be an assurance that the teaching is fully informed by the ongoing research agenda as well as its recent findings. We will examine the Department’s revised criteria, when published, to assure ourselves that this is safeguarded.
72. In addition, postgraduate degree awarding powers must not be restricted to successful research consortia (see paragraph 33 above).
73. The White Paper quotes the Californian model but does not develop the need for stronger inter-institutional links throughout such a system to ensure safeguards, which are built in to the American approach.

## Chapter 5: Expanding higher education to meet our needs

### ***The case for increasing participation in higher education towards 50% of 18-30 year olds by 2010 (paragraphs 5.7-5.11)***

74. Research work commissioned by Universities UK demonstrates that the increase needed to achieve the 50% target may be greater than the Government believes (though it may be tacitly agreeing with this, by pulling away slightly from the original wording and saying “towards 50%” on p57 and in para 5.7). We welcome the announcement (para 5.11) of a review of the Initial Entry Rate led by the Office for National Statistics and look forward to its findings.
75. Our research on the 50% target (by Brian Ramsden and Nigel Brown, circulated as I/02/160) clearly shows that demographic trends projected for the next eight years mean that just maintaining the current participation rate in England (assumed to be 41.5% at the time the report was written, now revised by DfES to 43%) will require an increase in the number of new entrants to higher education of around 10%. Achieving the target will require a very much greater increase, and this clearly contradicts the White Paper’s assertion that “the further increase we need to achieve 50 per cent by 2010 is relatively modest” (para 5.7). The Secretary of State’s grant letter to HEFCE confirms this complacency, identifying only 56,000 additional full-time equivalent places by 2006 (para 45), and the HEFCE Board’s letter to institutions (28 January 2003) states that “much of the planned growth for 2003-04 and 2004-05 will be met by in-built growth”.
76. If the target is to be achieved there will need to be action across all age ranges, not just 18-30, and in relation to both full- and part-time higher education, and those undertaking work-based learning. The Government’s focus on the under 30s is unhelpful, in that it ignores the educational potential of older students who can be encouraged to study for new careers.

### ***Expansion focused on two-year work focused foundation degrees, with additional funded places for institutions in preference to three-year degree courses whose numbers will remain steady. Incentives also for students with bursaries for maintenance or to offset course fees (£10m in 2004-05, rising to £20m in 2005-06) (paragraphs 5.17-5.19)***

77. The White Paper ignores the wide range of existing professional, vocational and work-focused courses in HEIs at degree and sub-degree level that already meet the demands of employers and the needs of students. In Universities UK’s response to the discussion paper, we argued that future expansion should not be restricted to applied and sub-degree programmes. A range of modes and levels of study, including part-time sub-degree and degree level study, should be offered if new generations of students are to have opportunities to develop in ways that best suits them.

78. The implication is that expansion targets will be met through shorter, and therefore lower cost programmes: there is a reference in Chapter 3 (para 3.22, bullet 3) to HEFCE reviewing funding levels and the relative costs of delivering foundation degrees compared with other forms of higher education.
79. Universities UK has been supportive of the development of foundation degrees, but it is still early days and difficult to judge if the demand from students will meet the Government's ambitions. The market for this should be researched thoroughly, and we argued this when the initiative was first proposed. Students should be free to apply to whatever course they wish, and widening participation should not push applicants from lower socio-economic groups into courses that might not suit them. We would be concerned if funding were wasted on providing places that were not taken up, particularly if this was at the expense funding other courses including bachelors degrees. Universities must be in a position to meet student demand.

***Foundation degree to become the standard two-year higher education qualification, bringing HNDs and HNCs into the framework (paragraph 5.14)***

80. We are concerned that the Government intends to incorporate HNCs and HNDs into the framework, because foundation degrees have not yet established themselves in the marketplace and they need a clear focus, which distinguishes them from HNDs. Many HNDs/HNCs have held their popularity well, though in some areas there has been a shift to degree level programmes.

***Financial support for employment sectors, HEIs and FECs to help develop foundation degrees (paragraph 5.14)***

***HEFCE funding for development of foundation degrees will be £9m in 2003/04, £11m in 2004/05 and £12m in 2005/06 (table, p66). (Of this, £2.5m in 2003/04, £3m in 2004/05 and £3m in 2005/06 will be for the development of new foundation degree programmes, according to the Secretary of State's funding and delivery letter to HEFCE, para 41)***

81. Universities will continue to work with employers and with further education partners to develop focused work-based courses to meet economic and workforce needs. It is not clear how development funding will be allocated, however it is important that institutions' development and recurrent costs of new foundation degree programmes should be fully supported for the whole spending review period.
82. It is not clear how employers will be supported in developing new foundation degrees and if this is in addition to the work of the Sector Skills Councils (para 3.17).

***Establishment of 'Foundation Degree Forward', a network of universities to lead the development to foundation degrees and provide a validation service for foundation degrees offered in further education (paragraph 5.23)***

83. There is no detail in the White Paper on how this national network will operate, which universities will be involved or the nature of the 'validation service'. Universities UK would have concerns about any foundation degree being validated by more than one university, as this will complicate responsibilities for the quality assurance of such provision. We would also question the influence of such a network on those universities outside it. For example, there was a consensus among those establishing foundation degrees that the qualification should be styled FDA, FDS etc (see para 5.14), but this continues to be within the discretion of the university validating the award. The relation between this network and the Council of Validating Universities would also need to be clarified. The Secretary of State's funding and delivery letter to HEFCE identifies £2.5m in 2003/04, £2.5m in 2004/05 and £3m in 2005/06 to establish 'Foundation Degree Forward' (para 41). However, the details of how the funding will be distributed among the network of universities is not specified.

***Strengthening of links with further and higher education for progression, including streamlining the funding, data collection and regulatory regimes to make collaboration easier (paragraph 5.24)***

84. There is an urgent need to remove bureaucratic barriers to collaboration between universities and FE colleges, but this also applies to the progression of students from FE colleges to universities and to other forms of co-operation between the two sectors. Any proposals to this end should be discussed in detail with both sectors.

***Encouragement of flexible provision, including more support for part-time students, and the development of 2+2 and 2+1 arrangements, credit transfer and e-learning (paragraph 5.25)***

85. The Government has responded to evidence submitted by Universities UK by committing to identify and meet the additional costs to institutions of successfully recruiting and retaining students from less traditional backgrounds (para 6.24) and their recognition of the need for flexible course structures and study opportunities for these students (para 5.25). However, these steps must go hand in hand with a revision of the current HEFCE funding methodology to encourage institutions to recruit and retain non-traditional students.

86. As noted in our response to the recent discussion paper (in paragraph 4.6 of our response), the funding methodology as implemented by HEFCE does not support flexible course structures and study patterns, and penalises those institutions attempting to widen access and student participation. This financial barrier must be overcome if we are to appeal successfully to non-traditional students. It is particularly important that the funding methodology recognises the changes that are required in terms of flexible course structures

and changes to attendance patterns. These include:

- provision for allowing students to switch between attendance modes on, perhaps, a module by module basis;
- recognising that study time may not always be continuous, and may begin mid-way through the academic year; and
- acknowledging that the student may not have identified a final qualification aim on initial registration.

87. Currently such activities are penalised by the funding methodology and students are treated as though they had withdrawn or dropped out. It is important that institutions offering courses that are sufficiently flexible to meet the time and travel constraints of potential students, and who are successful in recruiting and retaining non-traditional students, are not penalised when these students do not follow the same pattern as traditional students, who register on three year full-time courses and progress as a cohort each September. The current basis of performance indicators for access and widening participation is flawed. Universities UK welcomes the Government's plan to move towards the system now being used in Scotland, as the data become available; but no system should be largely based on such crude indicators.
88. There is a strong case for streamlining further/higher education progression routes, with appropriate consultation. There also needs to be increasing emphasis on flexible routes including 2+ models, building on existing credit systems and further developing e-learning provision. We need to enable as many students as possible to achieve degree-level qualifications. This includes providing mechanisms and routes for those who have left full-time education – at perhaps GNVQ levels 2 and 3 – to build on their existing achievements through credit accumulation and transfer, to enable them to achieve degree-level later in life. Foundation degree students must be able to progress to Honours degree level if they wish.
89. However, we would be most wary of a compressed two-year honours degree. Accelerated degree courses have been attempted in the past, but very few students have been able to engage successfully in this type of course. It is our impression from a previous Funding Council (PCFC) project on Accelerated and Intensive Routes (AIRS) that those who succeeded would have received significant AP(E)L credit under modern arrangements. It is misleading to represent this as a “two year” degree and would be very damaging to the UK's standing in Europe. The Bologna declaration commits the UK to first degree programmes of at least three years duration.

### **Recruiting international students (paragraph 5.26)**

90. The White Paper acknowledges the high reputation that the UK higher education sector enjoys around the world. This reputation is based on high quality teaching and research, an extensive choice of courses, a wide range of institutions and considerable individual support through the provision of accommodation, welfare and other services.
91. The UK is second only to the US in the number of international students that it attracts, together with an increasing number of students following UK higher education courses outside the UK. International students comprise 12 per cent of all students in the UK and 39 per cent of full-time postgraduate students. International students in UK HEIs make an important contribution to broadening and internationalising the curriculum and higher education experience for all students. At postgraduate level international students make a key contribution to the UK's research base. For institutions the contribution provided by international student fee income has been an increasingly vital source of funding as UK Government funding has declined significantly over the last decades.
92. As the White Paper notes, those who have studied in the UK can be key figures in supporting and promoting UK trade, diplomacy and cultural links around the world. The Prime Minister's Initiative has provided a helpful focus on this area of higher education activity and built on the success of international activities that have been developed and maintained by higher education institutions for many years. Changes in visa procedures and employment regulations have improved the UK's position against increasing competition from other countries to attract international students. The Prime Minister's Initiative has provided the opportunity for a number of Government departments to work together with the British Council and HEIs to ensure that this particular UK success story is maintained and improved. As the PMI is due to end in 2005 Universities UK would welcome discussions with the DfES on the future direction and support for this area of activity from Government to ensure that the advantages in this area provided by the longstanding work of HEIs and the more recent focus provided by the PMI are not lost.
93. The White Paper's proposals lead towards a stratification of UK higher education and may have serious consequences on universities' ability to recruit international students. It should be recognised that universities international activities do not focus solely on recruiting international students but also on developing research links, exchange programmes and other projects to create connections between UK higher education institutions and organisations around the world. It is vital that this work does not suffer.

## Chapter 6 – Fair access

### Key proposals

#### **Higher Standards in Schools and Colleges (paragraphs 6.3-6.4)**

##### ***Emphasis on whole education sector approach to access – 14-19 strategy, raising aspirations***

94. The emphasis on the whole education sector approach through higher standards and raising aspirations in schools/colleges is to be welcomed (as highlighted in our discussion paper response): “Access to higher education is currently largely a matter of students’ prior attainment, and there is no doubt that social disadvantage can affect the aspirations of those with no family tradition of higher education.”

#### **Raising Aspirations (paragraphs 6.5-6.12)**

95. Raising school standards is critical, but as the White Paper recognises, this will not be enough on its own to widen participation for potential students from non-traditional backgrounds, including those students with disabilities and those from some ethnic minority groups. Measures proposed include the following:

#### **Roll out of Educational Maintenance Allowances nation-wide (paragraph 6.5)**

96. This was announced in the Government’s response to the 14-19 Green Paper on 14-19 education (published on 21 January 2003). It is a welcome move as part of the work to keep young people in post-compulsory learning.

#### ***Increased level of support for Excellence Challenge and wider coverage from 2003-04***

##### ***Excellence Challenge to be brought together with the Partnerships for Progression initiative to deliver a coherent national outreach programme called “AimHigher” (paragraph 6.7)***

97. This is welcome, particularly if coverage is extended to rural/non-metropolitan towns, previously excluded from the Excellence Challenge programme. The ‘coherent national outreach programme’ is to be welcomed, as suggested in the Universities UK response to DfES discussion paper – ‘Funding policies can help encourage closer links, but outreach activities such as those envisaged in Partnerships for Progression need to be allied with national strategies.’ More detail is required regarding the resources for the activities proposed under ‘AimHigher’. Also, how will the new ‘AimHigher’ programme link in to the proposals for the new “access regulator”, the Office for Fair Access?

#### ***AimHigher will include a pilot initiative to encourage students to undertake paid, part-time support roles in schools (paragraph 6.8)***

98. How will this initiative link into the mentoring schemes already in place?

***DfES to publish digest of examples of good practice by student services in Spring 2003 (paragraph 6.11)***

99. This is part of the DfES-funded project on student services (supported by Universities UK), which published its report *Student Services: effective approaches to retaining students in higher education* last November.

***DfES to survey experiences of ethnic minority students and report in 2004 (paragraph 6.12)***

100. DfES study is already underway to examine the experiences of ethnic minority students. (Universities UK is represented on the steering group for this project).

**Other Routes and Second Chances**

***QAA asked to modernise the criteria for Access Courses (paragraph 6.13)***

101. Universities UK and other stakeholders look forward to being fully involved in this proposed work.

***Admissions reform – HEFCE with UUK, SCOP and UCAS to consider and develop best practice into a flexible framework for admissions processes (paragraphs 6.15-6.20)***

102. This could include developing the Fair Enough? Project recommendations (report published in January 2003) in partnership with institutions and other stakeholders. The sector should take the lead in this. We note the Government's announcement of a group to look at best practice in admissions headed by Professor Steven Schwartz, and we look forward to working on this.

***PQA to be considered as suggested by the Tomlinson Report (paragraph 6.21)***

103. This is already underway through the Universities UK-led PQA Working Group, which will be working closely with a new DfES steering group on this issue.

**Setting Clear Benchmarks**

***Reform of postcode premium to reflect new access indicators of family income, parental levels of education, and the average results of the school attended. New indicators to be in place by 2007 (paragraph 6.23)***

104. Universities UK welcomes the reform of the postcode premium, which has not proved very effective. Consultation with a wide range of stakeholders, including Universities UK, will be required on the development of new indicators, including the consideration of alternative proposals. It is important that consideration is given to choosing the most appropriate and applicable indicators. For example, the proposal to consider parental levels of income appears to run counter to moves towards treating students as independent adults at age 18 in the White Paper proposals for student support (considered in Chapter 7). This measure might also be considered more intrusive by potential students and their parents than the present postcode premium.



105. Universities Scotland has also recommended detailed UK-wide consultation with the funding councils, relevant government departments and external agencies. This proposal is based on recent expert research which identifies the need for the development of revised indicators that fairly represent the sector's performance, and highlights the importance of improvements in data collection to measuring progress effectively.

### **Targeted Funding**

#### ***Access premium increased from current 5% to around 20% (paragraph 6.25)***

106. An increase to 10% had already been announced, and the further increase is welcomed although the overall allocation to HEFCE has not increased. A premium of 20% may not cover the full cost of attracting and retaining non-traditional students as the HEFCE/Universities UK study published in April 2002 concluded that a 35% premium was required.

### **Bearing down on Drop-Out Rates**

#### ***Focus on dropout – Access Regulator to develop dropout benchmarks and will have powers to fine institutions that persistently fail to meet their benchmarks (paragraphs 6.26-6.28)***

107. More consideration is required regarding the appropriateness of financial penalties in this area, and we are pleased to see in the Government's consultation on Widening Participation that this will not be in the remit of the Office for Fair Access. More incentives are required to retain students and ensure they receive adequate support during their studies (see DfES/Universities UK study on student services published in November 2002). More research may be required into completion rates as the reasons are very complex and vary across different institutions. Key factors appear to be prior educational attainment and financial stress, and this benchmark risks penalising those institutions that do most to widen participation. In addition, credit gained by students who discontinue partway through a programme should be recognised, both for the individual student and in student funding and performance measures.

### **The Access Regulator**

108. We note the Government's proposals for a new Office for Fair Access (OFFA). It is vital that the new body takes into account the work institutions have been doing for a number of years, and not just since 2003, or it risks penalising institutions that have already achieved much in this area. We have argued that location within HEFCE would be preferable to a separate body. Any access agreement will have to be flexible to reflect the uncertainties universities face in public funding and student demand. In addition, the agreements will need to reflect the fact that while bursaries are one way of helping to widen participation, funding them will be much more difficult for those institutions that have already recruited a high proportion of non traditional students but are less wealthy. We will be responding in full to the Widening Participation consultation on these issues.

109. Universities UK is pleased that in the proposals for a new Office for Fair Access the Government has acknowledged that admissions policies are a matter for individual institutions. We believe that the focus of the Office for Fair Access should be in monitoring progress and ensuring that good practice is widely disseminated, rather than setting targets that are not an appropriate mechanism to achieve fair access or widened participation.

***Institutions that wish to charge variable fees will be required to have Access Agreements (paragraph 6.29)***

110. We will be studying the proposals in the Widening Participation consultation in detail over the coming weeks, as more details are required regarding the Access Agreements. Universities are already held to account in terms of producing widening participation strategies for HEFCE as a condition of grant. In addition, performance indicators and benchmarks have been established in this area.

***Access Agreements to be enforced by independent Access Regulator who will have powers to withdraw approval for variable fees or fine institutions that do not fulfil Access Agreements (paragraph 6.29)***

111. We will be considering carefully the proposals in the Widening Participation consultation on the remit for the new Office for Fair Access, as more detail is required regarding the remit of the regulator in this area.

***Access Regulator to have a role in extending good practice (paragraph 6.30)***

112. Much work is already being done by universities to engage with schools and colleges, which will be augmented by the 'AimHigher' programme. Universities UK has played a major role in developing and extending good practice in this area. How will existing initiatives link in to the remit of the Office for Fair Access in this area?
113. We will be considering the detail in the consultation on Widening Participation as more information is required regarding any resources allocated to the Office for Fair Access to provide funding in this area. Also, how do the proposals for bursary schemes and other financial measures fit in with other student funding proposals outlined in Chapter 7?

***Institutions that do not wish to charge variable fees will be encouraged to use the services of the Regulator in establishing Access Agreements of their own to quality assure their processes and guarantee fair and reliable processes for students (paragraph 6.31)***

114. How will this proposal fit in with the requirements to access funding under other WP initiatives, including the re-packaged 'AimHigher' programme (previously the Partnerships for Progression initiative)?

115. The work of the Office for Fair Access will also have to take into account the mobility of students across the UK. It is important to note that some of the widening access work of universities actually results in potential students from non-traditional backgrounds applying to institutions other than those they may have contact with during outreach programmes. How will this work be recognised if students targeted for access initiatives/ programmes in one institution actually apply and are admitted to another institution?

**The Access Regulator and the impact of new student funding package (outlined in Chapter 7)**

116. Although there is merit in saying that an “access regulator” may bring in yet another layer of bureaucracy and interference for the university sector, this argument may need to be tempered by the recognition that de-regulated fees will only gain sufficient support if they are accompanied by the safeguards offered by the new Office for Fair Access. There is a widely held view that additional fees may deter those from lower-income groups with no tradition of higher education in the family. As known from current research (including the Universities UK commissioned student debt study, *Attitudes to Debt*), people from lower income groups already perceive higher education as elitist and not for them as they fear getting into debt without the cushion of parental (or other support), which children from higher income groups tend to take for granted. Although existing fees are already covered for this group, there is still a perception that higher education represents a burden of debt that outweighs the positive gains of a higher education.
117. The impact of the new student finance package on access to courses leading to particular careers such as nursing and teaching will also need careful consideration as increased debt levels may deter people from entering public service careers. The impact on subject areas where demand is weak will also need to be monitored, such as engineering and modern languages. In addition, the impact of the new funding regime on students opting for postgraduate study and developing an academic career will also need to be monitored closely.

## Chapter 7 - Freedoms and funding

### Management and Leadership

#### General Comments

118. In Chapter 1, the White Paper pays tribute to the successful management of the sector. This is in considerable contrast to the tone of the questions raised in the Issues Paper and reflects a number of comments outlined in the Universities UK response to the Issues Paper. In this section, the White Paper acknowledges university autonomy in relation to “the power to determine their academic and operational future; lead, manage and appoint their own staff; determine their estates strategies; and manage their resources as they see fit” (para 7.2); this is welcome. This clear statement of support for university autonomy needs to be reiterated in relation to other recommendations arising from the White Paper and especially in relation to the increased role for HEFCE in such areas as human resource strategies, rewarding teaching and leadership and management. However, despite the lack of overt criticism of university leadership and management, the direct funding of centres of teaching excellence, and the extra support for a new category of research department/larger units subject to good governance, management and leadership could be taken as indicators of a lack of confidence in institutional management.

#### The Leadership Foundation

The Government is committed to funding the Leadership Foundation over the next three years and expects it to be associated with a prestigious higher education institution and to take forward the recommendations of the Lambert Review. It also expects it to draw on best international expertise, develop models of good practice and work in partnership with the new Learning and Skill Leadership College (paragraph 7.4)

119. The challenges ahead are clearly seen to require “strong leadership and management” or “strong management and visionary leadership”. The Department wants to “help” and “empower” institutions to “use the freedoms they have to the full” so that they can be “dynamic and self-determining institutions”. Universities UK and SCOP have developed the proposals for the Leadership Foundation to help the sector meet the challenges ahead and robustly defended the track record of university leadership and management and the importance of academic and institutional autonomy in its response to the Issues Paper.

120. The funding for the Leadership Foundation is very welcome (£1 million in 2003-04, £4 million in 2004-05 and £5 million in 2005-06). They are correct in saying that the Leadership Foundation will draw on the best international (and domestic) expertise but it is not envisaged that it will be “associated with a prestigious higher education institution”. The Leadership Foundation being tasked with taking forward the recommendations of the Lambert Review is

new and the acceptability of this depends on what the recommendations are, especially if the review also considers management practice in HE. Universities UK officers will be working closely with colleagues in the Treasury to ensure that the Lambert Review remains focused on the effectiveness of links with business. The Leadership Foundation has already committed itself to working in partnership with the Learning and Skills Leadership College (post-16 Leadership College).

### **Reducing Bureaucracy**

***The White Paper states that the Department will respond to the recent report of the Better Regulation Task Force by asking HEFCE to test new proposals against the principles of good regulation, to consolidate funding into a smaller number of streams, consider reducing the burden of audit and reduce the burden of data collection. The Paper also commits the DfES and HEFCE to work with other bodies such as the TTA to reduce the demands on HEIs and mentions the review of research assessment chaired by Sir Gareth Roberts and the taskforce to reduce bureaucracy chaired by Professor David VandeLinde. The Department commits itself to producing a regulatory impact assessment of the current proposals and to remove the approval of minor changes to statutes from the Privy Council (paragraphs 7.6-7.11)***

121. The commitment to reduce bureaucracy is very welcome, especially the recommendation that HEFCE should test new proposals against the principles of good regulation, the commitment to work with other organisations to streamline approaches and the intention to publish a regulatory impact assessment. These are all proposals that were included in the Universities UK response to the Better Regulation Task Force report. Universities UK will work with the Professor VandeLinde taskforce, DfES and HEFCE to ensure that these commitments are kept and undertaken in a thorough fashion. The streamlining of the approval process for minor changes to statutes could be a welcome change depending upon what the detailed proposals are and what body will now be responsible for approving changes.

## Funding for institutions

### Independence through Endowment

***The White Paper aims to promote the development of endowments through building a culture of giving from individuals and business. The focus is on how benefits can be promoted to make the most of the potential of endowment. In order to build up a 'giving' culture the following measures are proposed:***

- ***Giving something back- making it possible for graduates, through GiftAid, and through the income tax form directly, to contribute tax repayments voluntarily to HEIs. There will be no requirement for alumni to do so.***
- ***Promoting individual giving- the DfES plan to promote to alumni and others the need to understand better what the benefits are to them and HEIs. This campaign will come under the remit of a 'task force' being set up to promote private giving.***
- ***Promoting corporate giving- the task force mentioned above will also encourage institutions and existing donors to promote the existing incentives for individual and corporate donations i.e. tax reliefs, and encourage change in university and individual behaviour.***
- ***The DfES proposes to provide direct assistance to the sector through seeking the resources for a time limited, matched endowment fund to which any university can apply. In order to gain the funds institutions would have to demonstrate excellence in both its fund raising and in its management of those funds. (paragraphs 7.16-7.18)***

122. According to HESA data for 2000/01, endowment and investment income across the UK currently stands at £292m; this did not grow from 1999/00 (this figure includes specific and general endowments, and interest receivable). HESA data also shows that the value of endowment assets (cash at bank and other investments) has decreased by £136 million (-4.6%) from 2000 to 2001. We would expect figures to be lower in subsequent years due to the recent stock market fall. The level of giving by alumni is currently unclear as there is no HESA data on this, though it is known to be low.

123. The White Paper correctly indicates that there is no tradition of this kind of giving in the UK, from individuals or business. Income from this source currently stands at approximately 2% of total sector wide income and varies considerably between institutions. HESA data shows that at an institutional level, maximum university income from endowment in 2000/01 was £49m, with a minimum of £16,000. At current sector wide income levels, and considering the level of variation between individual institutions, this would be an insufficient way of addressing the financial concerns of the whole sector. In addition, within the White Paper there is an implicit assumption that endowments can be freely used to bolster the recurrent income of universities. In fact they are mostly tied to specific objectives. For example, at King's College, of a total endowment of £82 million, all but £1 million is tied in this way. Within this context it is unlikely that universities can attract the large sums of money needed to pay core costs.

124. The measures outlined in the White Paper will go some way towards helping to promote a “giving culture” amongst individuals and business. However, if as the White Paper suggests “the way forward is through endowment” more detailed investigation into how sufficient capacity would be built up is vital. The Government will need to look closely at how a reliable and stable stream of income from this source can be assured for all institutions, and what the implications might be for the shape of the sector as a whole. At present there does not appear to be any evidence-based research to support these proposals. Detailed research needs to be conducted that can inform the work of the proposed task force if it is to be a success.
125. We would welcome any additional public investment that would help build income from this source, as is proposed in the White Paper. We would however be concerned about any ‘strings’ attached to this money. For example, one proposal states that matched funding would incentivise university fund raising from sources such as the disposal of under-used assets. As we have indicated in the past, the power to identify priorities should be left to institutions within the context of their own strategic plans. Indeed, as recent work by JM Consulting into teaching and research infrastructure indicates, special initiatives or schemes, particularly in infrastructure, have often failed to encourage investment on a planned basis, and have not enabled institutions to take responsibility for long term asset management strategies.
126. The proposals in the White Paper will also need to be considered in terms of how they fit in with the Government’s wider strategy, for example, what would be the implications of the changes to fee payment methods? It is arguable that the proposed Graduate Contribution Scheme could have a negative effect on other ways of raising extra money from alumni.
127. Similarly, the proposals will need to be looked at within a number of broader contexts, for example:
- the charitable sector - effectively these proposals will bring institutions into direct competition with other charities;
  - the national economy - rises in household debt and a fall in earnings could have adverse effects on giving of this kind. Additionally, in the US, according to a survey by the National Association of College and University Business Officers (NACUBO), the economic downturn has meant that the typical portfolio lost 6% of its value in 2001-02, the third consecutive dip for some institutions.
128. Any future funding from this source should not be offset by reductions in existing Government support. If as the White Paper suggests, this form of funding is to play a greater role in the future, any new incentives aimed at building endowments must be capable of generating

sufficient private funds, so that together with enhanced public funding, the sector is placed on a sound financial footing. The problems facing both the research and teaching infrastructure in UK higher education are sector wide and any solution should recognise this without disproportionately benefiting any group of institutions.

129. We welcome the establishment of a Task Force to consider future options and incentives for endowments. Universities UK is looking in more detail at this area of funding and we stand ready to work with the DfES, the Funding Council and all stakeholders to see how this can be best achieved, and how we can inform the work of the proposed task force.

#### **Graduate contribution scheme**

***The cap on the (full-time) tuition fee contribution from students will rise to £3000. This cap will apply through the life of the next Parliament, and rise annually in line with inflation. The up-front tuition fee is to be abolished, and universities will be allowed to set their own rates for graduate contributions between £0 and £3000. The Government will provide income to universities equal to the contribution levels they have set. The Government will then receive payment back from students over time. (paragraphs 7.30-7.31)***

***Repayment of the new fee regime will be through a Graduate Contribution Scheme, which will link monthly repayments to earnings through the tax system. There will be no interest on deferred payments, and the repayment threshold based on income, which currently stands at £10,000, will be raised to £15,000. Students will be able to pay their contribution up-front if they wish. Universities will be required have Access Agreements approved by an independent Access Regulator before they are allowed to introduce a contribution higher than the current standard fee. £1,100 of the fee, the current rate, will continue to be means tested under the present arrangements when the new contribution arrangements come into effect in 2006. (paragraphs 7.40-7.41)***

130. We would take reassurance that universities will receive immediate income, equivalent to the value of the fee, from Government, following the removal of an up-front fee contribution from the student. We will, however, be looking closely at how tuition charges for students from the EU will be repaid, as currently no arrangements appear to have been developed.
131. We would be concerned if any public support is phased out with the introduction of enhanced fee income. We have stated that additional private investment needs to be coupled with enhanced public funding if historic under funding is to be addressed and the sector is to be put on a sound financial footing. The White Paper helpfully recognises that higher education needs substantial investment and any phasing out of public support would run counter to this acknowledgement.



132. At present it is unclear how the additional income from increased fees will translate into additional funding for universities. If all institutions were to charge the full £3000 this would generate a maximum of £1547million additional funding across the sector (there are around 800,000 full-time UK/EU undergraduates at English HEIs so a £3000 fee for all students at all HEIs would generate £2400 million). This compares with £853 million fee income (£447million public and £406 million student contribution) expected for 2002/03 from the £1100 means tested fee. However, it is hard at present to predict at what levels institutions will set the fee, therefore this figure could be significantly lower. It is also unclear from the description of the access regulator what freedom will be available to individual institutions to control their own fee levels. The DfES has confirmed that its funding proposals have not been based on any detailed modeling.
133. Universities UK is unequivocally opposed to any funding solutions that are based on a division of the sector or give priority to addressing the financial problems of one group of institutions at the expense of others. It is unclear at present how these proposals will provide consistent additional funding on a sector wide basis and how fee levels will be set to meet the costs of provision. We have stated that while the perceived benefits to graduates could be a factor in determining price levels, any move towards a differential fee system should ensure they are linked to the cost of provision.

## Funding for Student support

### **Graduate contribution scheme (paragraphs 7.30 and 7.39-7.43)**

134. Universities UK supports the principle established by Dearing that individuals who benefit from HE should make a contribution to the cost. We would welcome the move towards treating students as independent adults at 18 brought about through the introduction of a Graduate Contribution Scheme.
135. We welcome the continued funding by Government of full cost of (base rate) tuition fees for those from the poorest homes and an increase in the repayment threshold by income from £10,000 to £15,000 p.a. We have called for improved clarity in terms of the liability for payment, as the present arrangements are not always clearly understood by prospective students, and there is confusion about the scope of the means-testing. However, these proposals appear to add some complexity through maintaining means testing for part of the new fee regime. Whilst we recognise that the issues of debt aversion among lower socio-economic groups makes it difficult to abandon means testing charges based on parental income, this has the potential to create confusion as to what fee is liable for payment amongst students and their families.

136. We are also pleased to see some simplification of student support schemes for those with dependants and accessing hardship funding; we also welcome the simplification of administration of the student loan application and assessment process. These measures will help towards promoting wider access.

### **Maintenance Grants**

***The White Paper proposes the introduction of grants for those from backgrounds earning £10,000 or less, with some grant available to those families whose earnings are up to £20,000. The paper states that consideration will be given to remitting the graduate fee contributions above the £1,000 level for those from the poorest backgrounds (paragraph 7.36-7.38)***

137. Universities UK has called for the introduction of a realistic level of maintenance support for students from the lowest socio-economic groups, who have an aversion to the accumulation of debt and might as a result be deterred from entering higher education. The proposals outlined in the White Paper will go some way towards addressing the concerns over debt aversion among potential students from poorer backgrounds. Restoration of maintenance grants, albeit limited to a maximum of £1,000pa, is a positive move if potential students from lower social economic backgrounds are not to be discouraged from participation. One of the factors that should be considered in assessing the future level of the maintenance grant is the current level of the EMA (currently £1500).
138. The eligibility criteria for maintenance grants should be kept under review and the income threshold may need to be raised.

### **Public sector workforce (paragraphs 7.46-7.49)**

139. In our response to the DfES consultation in December 2002, we stressed the importance of higher education in supporting modernisation and diversification in the workplace. This applies to all graduates, including those destined for the public sector workforce. Graduates lead technological innovation and development; their education is a preparation for lifelong learning, enabling them to manage the changing environment in which they work, and it is this aspect of their preparation that employers value. In a sector where reform is a priority, the demand for graduate skills is likely to increase, and public sector employers will have to find ways to fund the additional costs of recruiting and retaining graduate staff who will be seeking employer help in clearing debts resulting from their student experience.
140. Universities are working closely with their partners in the health service, to support the implementation of the NHS plan, and expand the NHS workforce. Universities provide virtually all the pre-registration education for the nation's doctors, dentists, nurses, midwives and allied health professionals (about 12.5% of the higher education sector); their clinical academic staff make a substantial contribution to patient care, often in positions of

leadership; and they provide most of the clinical and basic medical research on which the future of UK healthcare depends. (See also paragraph 15 onwards above).

141. Funding for these students is already split between two government departments - the Department of Health and the DfES. Although two different funding streams means two different accountability arrangements, there are clear benefits in retaining the current funding arrangements for medicine and dentistry, since they are known and recognised, and reasonably transparent. The inter-dependence of medicine and basic science means that maintaining funding coherence with these subjects is important not only for the education process, but also for health service research, and the wider UK economy, particularly the pharmaceutical and bio-technology industries. Any changes should be fully assessed before a decision is taken, since these relationships are complex, and the effects of any change would not be confined to the higher education sector alone.

# Annex B

Additional funding needs for higher education institutions, England, £M:  
Comparison of spending review outcome with Universities UK's bid

	2003/04 to 2005/06 compared with 2002/03	
	Universities UK submission <sup>(1)</sup>	White Paper announcement
<b>Teaching<sup>(2)</sup></b>	5,265	2,228
<i>of which</i>		
<b>Recurrent</b>	3,141	1,667
<b>Capital<sup>(3)</sup></b>	2,124	561
<b>Research</b>	2,797	1,476
<i>of which</i>		
<b>Recurrent</b>	1,346	974
<b>Capital<sup>(3)</sup></b>	1,451	502
<b>Total</b>	8,062	3,704
<i>of which</i>		
<b>Recurrent</b>	4,487	2,641
<b>Capital<sup>(3)</sup></b>	3,575	1,063

(1) England component of £9.94 billion UK figure

(2) Human resources element of Universities UK submission included with teaching

(3) Capital needs based on estimates of remedial investment by J M Consulting Ltd -  
half deferred to next spending review

# Annex C

## Trends in core funding for teaching

		2002/03	2003/04	2004/05	2005/06
Combined HEFCE and TTA					
<b>HEFCE+TTA grant</b>	£m, cash prices	4,822	5,152	5,398	5,837
<b>Public fees</b>	£m, cash prices	447	456	467	479
<b>Private fees</b>	£m, cash prices	406	431	457	485
<i>Less</i>					
<b>Research funding additions</b>	£m, cash prices		80	107	246
<b>Centres of excellence</b>	£m, cash prices			14	35
<b>National teaching fellowships</b>	£m, cash prices		5	19	36
<b>Strategic development fund</b>	£m, cash prices		7	13	14
<b>Foundation degrees</b>	£m, cash prices		3	3	3
<b>Foundation degrees forward</b>	£m, cash prices		3	2.5	3
<b>HE workforce development</b>	£m, cash prices	110	170	220	287
<b>Total funding less special initiatives(for unit cost calculation)</b>	£m, cash prices	5,565	5,772	5,944	6,178
<b>Total funding less special initiatives(for unit cost calculation)</b>	£m, 2001-02 prices	5,429	5,507	5,533	5,610
<b>Number of students</b>	FTE '000s	1,101	1,115	1,134	1,157
<b>GDP deflators (2001/02 =100)</b>	HM Treasury Dec 2002	102.500	104.806	107.426	110.112
<b>Unit funding</b>	£, 2001/02 prices	4,932	4,939	4,879	4,849
<b>Unit funding index</b>	1989/90 = 100	62	62	62	61
<b>%change in real terms funding per student</b>	%	-0.8%	0.1%	-1.2%	-0.6%







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